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SUBJECT: BONUS, BONUS, EVERYONE GETS A BONUS

11. Summary: Recently, a joint statement by the head of Mexico,s federal civil service union (FSTSE) and a senior GOM Treasury Secretariat official announced that all federal employees would receive an end of term bonus. The union leader described the bonus as an established employee benefit traditionally paid to civil servants in recognition of faithful service by an outgoing presidential administration. The exact cost to the federal government of this bonus is unclear since different sources cite varying figures for the exact number of federal employees. One estimate calculated the cost of this bonus as roughly 4 billion pesos (USD 367 million). Once it became clear that federal employees would receive an end of term bonus Mexico City,s municipal employees petitioned for a bonus as well and hinted at a strike if their request was denied. In order to avoid a strike during the December 1 change of administrations, federal authorities agreed to cover the cost of a bonus for Mexico City,s municipal workers. This bonus will be paid near the end of November and is over and above the Christmas bonus (&aguinaldo8) of 45 days of salary that nearly all Mexican workers, both public and private, are legally entitled to. The combination of these two payments will make the end of 2006 a very expensive time for Mexico,s federal government. End Summary.

Bonus Officially Announced

12. It has long been common practice in Mexico for outgoing presidential administrations to pay all federal employees an end of term bonus. With the end of the Fox government fast approaching (the next administration takes office December 1) there was considerable media speculation as to whether the bonus established by the former ruling party would be continued. That speculation ended on October 26, when Joel Ayala Almeida, the head of Mexico,s federal employees, union, FSTSE (Federation of Unions of State Workers), and Guillermo Bernal, a senior GOM Treasury official publicly signed an agreement announcing the payment of the bonus. The signing took place in the offices of the GOM,s Treasury Secretariat.

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13. The agreement between the GOM and the FSTSE committed the outgoing Fox administration to pay the equivalent of some USD 250.00 to all federal employees. The FSTSE leader Joel Ayala described the bonus as a well-established employee benefit traditionally paid to civil servants in recognition of faithful service by an outgoing presidential administration. Speaking for the Secretariat, Guillermo Bernal, the Director

of the Treasury,s Budget Policies and Control Unit, said the bonus was an &economic stimulus8 consistent with the federal government,s labor policies. The Treasury Secretariat expects to pay the bonus sometime around November

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How Much Is This Going to Cost?

14. The total cost to the GOM of this end of term bonus is difficult to determine because of several complicating factors. One of the main factors complicating the calculation of the bonus, total cost is the fact that there are no consistent figures on the total number of federal employees. The figure most commonly cited in the media for the total number of federal workers is 1.6 million employees.

Were each of these employees to receive a bonus equivalent to USD 250.00 the cost to the GOM would be around 400 million dollars. FSTSE claims that there are really are 1.6 million federal employees but there is no hard evidence to support this claim.

15. Another complicating factor was a request by the 115,000 municipal employees of Mexico City,s government that they also be paid an end of term bonus. According to a senior staffer in the Mexican senate, the municipal workers hinted at a massive strike during the December 1 inauguration of Mexico,s new president if their request was denied. In response to this request the City government immediately stated that its budget could not cover cost of the bonus. Moreover, the Mexico City government pointed out that there was no legal basis for the municipal employees, request since the end of term bonus is a benefit paid by the GOM to &federal8 employees. That said, the Mexico City government quickly added that it had no objection to the federal government paying some type of bonus to the municipal workers.

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16. This statement of no objection by the Mexico City government was taken up by the head of FSTSE as an invitation to petition the Treasury Secretariat on the municipal workers, behalf even though they are not federal employees and despite the fact that they have their own separate union.

Ultimately, FSTSE leader Joel Ayala (and apparently the threat of a strike) prevailed on the GOM and the Treasury agreed to cover the cost of the bonus for the municipal worker. Thus, at the cost of paying a bonus to an additional 115,000 employees the cost of the end of term benefit went up another 28.75 million USD. One reason the GOM quickly agreed to pay a bonus to federal employees was, according to the senate staffer, because it had already budgeted and obligated roughly seventy-five percent of the cost of paying the end of term benefit to federal employees. Consequently, adding a bonus for another 115,000 employees was not that much of a stretch.

And Then There is Christmas

17. In his remarks at the signing of the agreement between the GOM and FSTSE, Guillermo Bernal, the Treasury Secretariat representative took pains to point out that the end of term bonus was independent of whatever other benefit employees were entitled to. Thus, the GOM essentially affirmed that the bonus was over and above the Christmas &aguinaldo8. The aguinaldo is a payment of 45 days of salary all Mexican workers, both public and private, are legally entitled to. The cost of this benefit to the GOM cannot be as easily

estimated as the end of service bonus since the payment the employees receive will be determined by their actually salary and not by a fixed amount per employee.

On the bright side, from a budget perspective, the aguinaldo is an annual benefit that governments (and businesses) have to plan for so the cost of this payment should already be budgeted for. Also, since the aguinaldo is something all employers are legally required to pay the GOM will not be expect to provide this benefit to anyone other that federal employees.

Comment

Between the end of service bonus in November and the &aguinaldo8 the GOM will pay federal employees in December, the end of 2006 could be an expensive time for the Mexican government. Added to all this is the extra money the GOM agreed to pay to Mexico City,s municipal employees (in order to avoid even the possibility of a strike during inauguration of the new administration). The estimated 28.75 million USD that this bonus will cost will certainly not bust Mexico,s budget but it was also an expense that was not planned for.

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